Testimony of Congressman Ted Strickland
International Trade Commission
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Mr. Chairman and Members of the Commission, I would like to thank you for the opportunity to share with you my views regarding the President's steel program and in particular the Section 201 remedy, specifically in regard to its alleged effects on steel consumers in this country.

I am well familiar with the troubles of our steel-makers because I have watched the desperate straits in which Wheeling-Pitt and Weirton Steel, steel-makers employing over 7,000 workers in Ohio, West Virginia and Pennsylvania, have found themselves. They are very important to my constituency and, therefore, they are very important to me. And, I know these companies have benefited from the President's steel program. Recovery for the steel industry will not take place overnight, and it is imperative that the President's program stays in place for the full three-year term or we risk dependency on foreign sources for our steel.

Even though we are here today to focus on the President's steel program and its impact on consumers, I am also here today because I think we need to take a hard look at a broader issue – the health of our manufacturing base.

The United States' manufacturing sector is in trouble all across the board. In fact, it would not be too dramatic to say that we are losing our manufacturing base, and we need to take some pretty powerful steps to stop this movement. We need to wake up to the fact that manufacturing jobs are leaving this country, and that the long-term consequences could be catastrophic. We need a comprehensive manufacturing policy in this country, and no sector can demonstrate that need better than steel.

The 1990s—a time of unprecedented prosperity for many Americans—have been a very difficult period for the hard-working American steelmakers and steelworkers. The industry was not suffering because of some alleged inefficiencies. In fact, at less than 4 man-hours per ton of steel produced, American steelworkers are some of the most productive in the world. The steel industry's setbacks in the 1990's were instead attributable to high volumes of unfairly traded foreign imports. Foreign steel producers regularly flooded the U.S. market with cheap dumped and/or subsidized steel throughout the decade. The U.S. market had become the prime destination for unfairly priced steel from former Soviet mills, heavily subsidized steel from European steelmakers, and dumped steel from the Far East. As the prices were driven down, the U.S. industry lost sales and revenues, was forced to cut production, and ultimately had to begin reducing its workforce.

The President's steel program has brought badly needed relief to the embattled American steelmakers. Since the program first went into effect in March 2002, prices have recovered modestly from the unsustainable lows of 2000-2001, and the U.S. industry has entered a period of difficult consolidation and restructuring. There are now clear signs of an industry revival and a slow but sure return to profitability.

Why is this important? Because the steel industry is crucial to the American economy and national security. No industrialized nation has ever succeeded in maintaining a successful and vibrant manufacturing sector without the ability to produce significant amounts of steel. Many of us in Congress are well aware that the steel industry is the mainstay for many of our communities, providing good-paying and important jobs to many proud and skilled Americans. It would also be foolish today, at a time when the U.S. military is about to transform itself into a force of the 21st century with 21st century equipment, to forget that ensuring a consistent supply of high-quality steel is critical to military preparedness and innovation of any nation.

Those who argue against the President's steel program ignore its clear benefits and focus on its perceived harm. Opponents of the Section 201 remedy have claimed that the program would wipe out all steel imports, create a shortage of supply, and result in huge price hikes on end-products. I have seen data that proves them wrong. Instead, the steel imports in 2002 have actually increased by approximately 8% compared to 2001. Imports covered by the remedy accounted for only 5% of all steel consumption in the U.S., and end-use products have not experienced any significant price increases, because steel only accounted for a small percentage of the total end-product costs.

Yet some steel consumer groups have claimed that the President's steel program had caused them such hardship as to create powerful incentives to move their operations overseas. This is a very serious claim to make, especially at a time when America's economy is still recovering and unemployment rolls are quite high.

Steel consumers are manufacturers—of automobiles and other transport equipment, household and industrial appliances and equipment, construction materials, and so on. As such, they face very high start-up and moving costs of transferring their operations overseas. Given this factor, they would need a very high price advantage in steel to make such a move worthwhile. This is especially true, given that steel makes up only 3.4-6.8% of the total costs of the end-products of most of these industries. Yet in almost all cases, the prices of rolled steel overseas are higher than in the United States today!

It is my understanding, on average, an industrial consumer can purchase a metric ton of hot-rolled steel sheet for $330 in the United States, but would have to pay $340 in Germany,

$350 in China, $360 in Japan, and $380 in England. It is difficult to see why an industrial consumer of steel in the United States would choose to spend tens, if not hundreds, of millions of dollars setting up new operations overseas, all for the privilege of paying a higher price for steel products. In addition, the temporary nature of the 3-year program makes it increasingly unlikely that any benefit could be had from moving operations overseas. The truth is that domestically produced steel continues to be a superior value for U.S. consumers once it is ensured a level playing field, as the President's steel program has done.

In the 14 months or so that the program has been in place, we have seen the domestic industry begin a revival accompanied by a return to profitability and preservation of American jobs. At the same time, it has not to my knowledge resulted in a rush of steel consumer groups shifting their operations overseas. I appreciate the need for the American steel consumers to remain competitive in a global economy. However, I also think it may be unrealistic to think that steel consumers can become more competitive without reliable domestic suppliers.

In closing, I would take the opportunity to reiterate what I stated before the Ways and Means Subcommittee on Trade earlier this year. I strongly support the President's decision to impose temporary safeguards to help the steel industry adjust to import surges that began in the late 90's. Now certainly is not the time to abandon a program critical to the continued revitalization of this nation's steel industry.

Thank you for your attention.